

VZCZCXRO0762
RR RUEHBC RUEHDA RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #2772/01 2411437
ZNR UUUUU ZZH
R 281437Z AUG 08
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC 9106
INFO RUCNRAQ/IRAQ COLLECTIVE

UNCLAS SECTION 01 OF 02 BAGHDAD 002772

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EAID](#) [IZ](#)
SUBJECT: PRT SALAH AD DIN: MICRO-FINANCE PROGRAM STALLED
BY LACK OF ADMIN FUNDING

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11. (U) This is a PRT Salah ad Din reporting cable.

12. (SBU) Summary: On 11 August, the PRT met with the Director General of the Ministry of Labor and Social Affairs (MOLSA) loan program for Salah ad Din (SaD) to gauge the status of the MOLSA credit program in the province. The MOLSA loans in SaD show promising signs to successfully support entrepreneurship, but only 6 percent of the allocated program funding was disbursed due to the GoI,s failure to allocate any administrative funding for the program. End Summary.

13. (SBU) On 11 August, the PRT met with Ms. Veyan Ibrahim Bakhish, the Director General of the MOLSA loan program for SaD, to gauge the status of the loan application, processing and disbursal process for the MOLSA credit program. Additional areas of inquiry included identification of the future direction and areas of emphasis of the MOLSA credit facility. Veyan reported that 1,832 loan applications were jointly approved by her Tikrit Office and the Central Office in Baghdad. Of these applications, 657 have been fully disbursed on. 1,441 applications are still awaiting final approval from the Central MOLSA Office in Baghdad. The current monthly disbursal rate on approved applications is between 100 and 300 while the average loan size is 3,000 dollars.

14. (SBU) These raw statistics suggest that when all already-approved and to-be-approved (1,832 plus 1,441) applications are funded, roughly 9,819,000 dollars of loan capital will have been disbursed. This prospective and maximum disbursal sum is substantially less than the 35 million dollars which was designated as loan capital for SaD within the MOLSA framework. Similarly, this raw statistical data, when combined with the plausible assumption that 200 loans are funded each month, suggest that it could take another 13 months to fund the remaining outstanding applications. The inability to deploy no more than 28 percent of SaD,s assigned loan capital in an expeditious manner is attributable to the fact that the GoI has not allocated the incremental monies necessary to pay for the increased staffing requirements and office equipment needs that new credit initiatives require if they are to be efficiently and expeditiously implemented.

15. (SBU) Going forward, Veyan notes that there is a forthcoming new MOLSA program which, once again, is designed to deploy 35 million dollars of loan proceeds in SaD. Overlaying this new loan initiative is an additional requirement, mandated by the MOLSA Central Office in Baghdad, that Veyan,s seven-person staff must travel throughout SaD to assess the economic impact of each of the 3,237 loans that will have been disbursed. Veyan stated that, at a minimum, 3 vehicles and 10 additional employees will be necessary to fulfill this new requirement. Unfortunately, no GoI funds have been designated to pay for the anticipated increase in administrative and reporting burdens.

¶6. (SBU) Veyan also stated that she has not received any information about the twin Ministry of Industries and Mines (MoIM) credit facility, which allocated 24 million dollars to SaD. She knows it is there, but has no idea who is tasked with administering the program. She did not have any information about a point of contact and was not aware of any MoIM disbursements within the Province. She also noted that the branch managers of the Ad Dour and Beiji offices of Al Rafidain Bank (disbursement agent for the MOLSA program), have refused to disburse on 35 and 20 approved MOLSA applications, respectively. These managers explained that their failure to fund the approved loans was due to the lack of specific directives from the Central MOLSA Office in Baghdad, as well as the lack of technically skilled employees.

¶7. (SBU) Veyan is now able to identify examples where MOLSA loans have yielded tangible improvements in living standards as well as observable gains in employment. Entrepreneurs, who used MOLSA grants to establish sewing shops, cell phone sale and service outlets, computer sale and service centers, food stores, iron works and carpentry facilities, have been particularly successful. These entrepreneurs are well into their second hiring wave. Typically, they have employed relatives to expand their labor pools and businesses.

COMMENT

¶8. (SBU) The low disbursement rate of the MOLSA loan program calls for dramatic improvement. However, unless GoI funded credit initiatives begin to first direct some capital to program staffing and administrative support, it is unlikely

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that dramatic improvement will be seen. One possible solution might be to base future initiatives on a hybrid model like the I-CERP program which has circumvented the GoI's organizational weakness by combining GoI funding with USG organizational skills to get the money out. END COMMENT.

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